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States Need Reforms in Federal IT Funding

The Issue

Each fiscal year, Congress appropriates funds for grants to state governments to further national goals, support delivery of federal programs and assist state government operations. In FY 2006, grants to state governments totaled $233 billion, excluding the amount directed to Medicaid. Implementing these funded programs at the state level invariably requires the acquisition, configuration, deployment and maintenance of information technology (IT).

A priority initiative of state CIOs today is implementing an enterprise consolidation and shared services environment for delivering and supporting IT services to their state agencies. Consolidation of IT infrastructure and services represents a significant opportunity for cost savings and improved service levels. While progress is being made in several areas of enterprise IT and services consolidation at the state level, as was supported by a findings from a recent NASCIO survey[1] of the states, the rules concerning the use of federal IT funds is a continuing challenge to further progress in this area and an impediment to reducing costs and more effective use of federal funds.

One of the foremost barriers to implementing an enterprise consolidation and shared services environment lies in the often inconsistent application of federal programmatic rules for IT investments by the states. Problematically, this inconsistency results in a process by which each state must negotiate how IT investments are applied culminating in a variety of different interpretations and outcomes.

The Problem

With new strategies and business models, State CIOs have been working diligently to break down the "silos"— or the way that physical infrastructure is placed and configured and IT services delivered. The general experience of State CIOs is frustration with federal funding constraints that are at odds with this goal. Many CIOs enjoy resources that allow use of a discretionary pool of funds to deliver innovative solutions with enterprise-wide value. However, federal programmatic funding still flows to the states without direct State CIO review and approval, with restrictive conditions that impede the implementation of consolidation and the rollout of enterprise-wide IT solutions.

Currently, the general guidelines attached to federal programmatic funding do not promote enterprise IT shared solutions, infrastructure optimization or the integrated channels of services sought by citizens. The state IT landscape has changed significantly, yet federal grant funding guidelines do not reflect this new environment. As millions of new federal dollars are spent on IT that supports human services, public health, justice and homeland security, a change in attitude toward enterprise IT solutions and flexible commingling guidelines with specific cost-allocation options could greatly improve the return on every federal dollar spent on information systems in the states. This flexibility could also prevent the creation of new "stovepiped" systems, or systems with rigid boundaries that only allow for the transmission of

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[1] IT Consolidation and Shared Services in the States: A National Assessment, NASCIO, May 2006.
<http://www.nascio.org/publications/ITConsolidationMay2006.pdf>

information along strict vertical agency lines rather than a horizontal exchange of information across state organizational lines.

Although recognized by the states as a problem with all federal government agencies granting funds to the states, the key target area for reform at this time is federal funding for health and human services programs. Representing the most significant pool of federal funds to the states, there are statutory and regulatory requirements, respectively, that govern the processes related to the approval of funding for state information technology projects associated with state-administered federal health and human services programs. These requirements do not acknowledge the enterprise view of information technology and evolution of the state IT organizational models.

How Congress and the Administration Can Help

Federal agency interpretations of shared cost allocation guidelines are frustratingly vague and new funding guidelines to encourage enterprise IT solutions, IT consolidation, and flexible commingling practices could greatly improve the return on every federal dollar spent on information systems in the states. NASCIO therefore encourages Congress to review the benefits of the widespread adoption of enterprise IT services in the states and recognize the critical role of the State CIO in that process.

As State CIOs work to advance enterprise architecture, IT consolidation and adoption of IT management best practices in their states**,** State CIO involvement in the review and approval processes for federal funds used for the purpose of financing programs supported by IT is critical. NASCIO therefore, requests the inclusion of the following candidate legislative report language in the FY2007 Labor, Health and Human Services, Education, and Related Agencies appropriations report:

"The Committee is aware that federal programmatic funding often flows to the states with restrictive conditions that impede the implementation of advanced enterprise-wide IT solutions, IT consolidation, and the adoption of IT management best practices in the states. The reduction of these restrictions is essential to improving the return on federal dollars spent on state information systems and resources, which are managed by the state CIO. The committee therefore directs that funding provided by this Act for programs supported by IT for the individual states, be reviewed and approved by the each state's CIO with a view towards ensuring that IT programs are efficient and cost effective."